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May 13, 1981

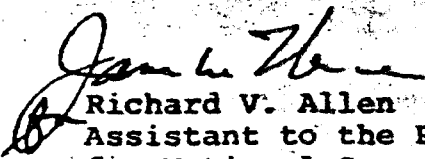
MEMORANDUM FOR:

THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE UNITED STATES REPRESENTATIVE TO THE
UNITED NATIONS
THE CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT:

Paper for the NSC Meeting (U)

Attached is a paper prepared by the State Department for the NSC Meeting which is scheduled for 10:00 a.m. on Friday, May 15. We would like your comments by noon tomorrow. (C)


Richard V. Allen
Assistant to the President
for National Security Affairs

Attachment
State Paper for NSC Meeting

NSC review completed

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State Dept. review completed

DEPARTMENT OF STATE

Washington, D.C. 20520

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May 13, 1981

MEMORANDUM FOR MR. RICHARD V. ALLEN
THE WHITE HOUSE

SUBJECT: Libya Policy Paper

Attached is a discussion paper on US policy toward Libya as considered by the SIG. We recommend Libya be placed on the next NSC agenda.

L. Paul Bremer, III.
L. Paul Bremer, III.
Executive Secretary

Attachment:

Libya Policy Paper

RDS-1/3 5/13/01

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SECRET**SENSITIVE****U.S. Policy Toward Libya****BACKGROUND**

Libya under Qadhafi is a major threat to U.S. interests throughout the Middle East/African region and, in the broadest sense, to our concept of an international order. Qadhafi's support for international terrorism, his dreams of empire (now becoming a reality in Chad*), his arrogation of the right to murder Libyan dissidents abroad, his hatred for and potential violence against Israel and key Arab moderates, and his potential for developing nuclear weapons require a concerted program of counteraction.

Libya poses a threat to the long Mediterranean lifeline of our capability to project power into the Persian Gulf area as well as directly threatening the survival of friendly regimes in the area. This could endanger our entire strategy in that region. Our ultimate objective, therefore, must be no less than a basic reorientation of those Libyan policies and attitudes which are now harmful to our interests.

*A separate paper on Libya/Chad has already been sent to the President.

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RECOMMENDATIONS:

Our study of this problem through an Interagency Group and discussions at the SIG level have produced interagency consensus on the seriousness of the problem, the need for firm U.S. action in support of our interests, and the following recommendations for certain steps that can be taken immediately--while stronger measures are developed and measures protective of our interests are put into place. The Departments of Defense and Energy, and the Central Intelligence Agency participated fully in these deliberations, and the recommendations that follow have been endorsed at the policy-making level in each case. In no instance are these steps meant to be deliberately provocative.

These recommended first steps (1) lay a foundation for more vigorous actions to follow, if needed; (2) put the United States in a stronger position to deal with any possible Libyan countermeasures; and (3) begin the process of clearly signaling to the current Libyan leadership, to potential future Libyan leaders, and to other governments a new and more forceful approach in our dealings with Tripoli. Specifically, the following steps are being proposed:

-- As the President has authorized, this new policy is being signalled immediately by closing the Libyan People's Bureau (equivalent to an embassy) in Washington. This will indicate to Arab and other governments, and to private companies and citizens now doing business in Libya that the United States is refusing to deal normally with Qadhafi.

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-- Through careful, low-key official and background statements, focus international public opinion on Libyan excesses, and make clear the growing concert of world opinion that Qadhafi's international conduct is unacceptable.

-- Keep selected European and regional friends and allies informed of this new policy toward Libya and urge their support for vigorous measures commensurate with the menace that Libya poses to Western interests.

In addition, we began to reduce U.S. vulnerability by the following actions:

-- Consultations have been held with the management of the U.S. companies operating in Libya, and they have been urged strongly to reduce the size of their American staffs. The State Department has issued a strong advisory urging Americans not to travel to Libya. The closing of the People's Bureau, however, is the step now most likely to convey our seriousness of purpose and to lead U.S. companies to withdraw their employees, without degrading their optional capability, if possible.

-- A maritime advisory has been issued consistent with the travel advisory.

-- State and DOD are working to update evacuation and other emergency contingency planning.

-- DOD in consultation with State will develop contingency planning to cope with possible Soviet initiatives to support Libya in some new aggressive action.

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-- In conjunction with the intelligence community including the FBI, plan to initiate an assessment of the U.S. internal vulnerability to terrorist activity that might be triggered in the event of a crisis with Libya.

-- In order to contain Libyan excesses and lay a foundation for stronger measures additional proposed actions include:

-- Developing a concrete program to deter Libyan assassination and intimidation campaigns, and seek to enlist the cooperation of the other countries most seriously menaced.

-- Because the acquisition of nuclear weapons by Libya would pose an intolerable threat to the security and well-being of friendly states in the region, under development is an action plan which, in consultation with the states that supply, or may supply, nuclear equipment to Libya or provide nuclear training for Libyans, will be designed to prevent Libya from obtaining the capability to produce nuclear weapons. Also under examination is the possibility of prohibiting U.S. universities from providing nuclear training to Libyan nationals.

-- Beginning conversations with those who have given military assistance (and training) to Libya with the aim of eliminating or cutting back this activity.

-- The Sixth Fleet has tentatively planned a naval and air exercise in the eastern Mediterranean starting in late June that is scheduled, for the first time in three years, to bring our units into those waters in the Gulf of Sidra that Libya illegally claims. The Libyans have in the past threatened

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military opposition to such activities. This would be preceded by a stern warning to the Libyans that any hostile Libyan actions against this exercise--or our regular air reconnaissance flights off Libya's coast--will be met by force. (The Fleet elements participating will operate under peacetime rules of engagement which are defensive in nature.)

-- In the case of neighboring states directly threatened by Libya (such as Tunisia and the Sudan) tangible measures will be proposed to help them defend themselves, including not only the high priority for FMS already being accorded, but also joint military exercises, training, etc.

RISK FACTORS

While the program outlined above represents a significant beginning in developing a new policy toward Qadhafi there continues to be a risk factor to be taken into account in dealing with Libya. Qadhafi can respond to our actions, and the probability is quite high that he will. Of his possible responses, three could have serious repercussions:

-- He could attack U.S. aircraft or ships, thus precipitating hostilities or even war.

-- He could take hostage or use violence against some of the more than 2,000 Americans now working in Libya.

-- He could use the oil weapon through an embargo on exports to the U.S. or our allies or through a partial or general production shutdown. (An embargo would be manageable, though U.S. oil companies operating in Libya might

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be hurt. A partial production shutdown, under soft spot market conditions, would raise spot prices but official prices should remain relatively stable. U.S. refiners should be able to find alternate supplies but U.S. oil companies in Libya might be adversely affected. A substantial production shutdown could cause a modest increase in world oil price and problems worldwide for less efficient refiners dependent upon high quality oil.

It is the best judgment of the SIG participants, however, that the steps which proposed will not trigger a drastic response by the Libyans. Above all Qadhafi must fear what the U.S. will do if sufficiently provoked. The President's warning against State-supported terrorism against the United States must have registered with Qadhafi.

In addition, Qadhafi also is operating under a system of constraints. He basically needs his oil income for his domestic and international goals (despite the existence of large financial reserves); he is potentially over-extended in Chad; and his relationship with the Soviets may cause more costs than benefits to him if actual hostilities break out. In addition, the precautionary measures which we have proposed as the first steps in this program are designed to help insulate the United States from such a response even if it does occur. Finally, Qadhafi has significant political vulnerabilities including the increasingly organized exile Libyan

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opposition groups, and internal tribal and political cleavages. Nevertheless, Qadhafi is highly erratic and a violent response on his part cannot be completely ruled out.

Commensurate with the truly serious threat which Libya poses, we are developing and plan to present to you shortly further specific recommendations for dealing with the long-term security threat posed by Libya's current policies.

In making these additional proposals full account will be taken of the results of consultations with other concerned states, the results of contingency studies, intervening developments including any reaction on Qadhafi's part to the initial steps, and assessments at that time of constraints on action.

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